ROLE OF INFORMATION TECHNOLOGY IN THE GLOBALIZED BANKING SECTOR

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Abstract

The global banking system has gone through many transformations in the last several decades. There have been dramatic regulatory changes considerable advances in information and banking technologies, the widespread dominance and acceptance of the market economy by less open economies, and the increase and integration of international financial markets and institutions have create new opportunities and challenges for international banking institutions. While these transformations have provided an expanded opportunity set for banks, they have intensified the completive pressure in the global banking arena as well.

***Keywords**: global banking, supervisory, prudential, Globalization, nation*

Introduction

The benefits of globalization have been well documented and are being increasingly recognized. Globalisation of domestic banks has also been facilitated by tremendous progression with the assist of Information Technology. Globalisation has thrown up lot of opportunities, but accompanied by associated risks. There is a growing realization that the ability of countries to conduct business across national borders and the ability to cope with the possible downside risks would depend, inter-alia, on the soundness of the financial system and the strength of the Individual participants. Adoption of appropriate prudential, regulatory, supervisory, and technological framework on par with international best practices enables strengthening of the domestic banking system, which would help in fortifying it against the risks that might arise out of globalization. In India, the banking sector are strengthen to face the pressures that may arise out of globalization by adopting the banking sector reforms in a calibrated manner, which followed the twin governing principles of non-disruptive progress and consultative process.

Globalization – a Challenge as well as blessing

The challenge of globalization is the perception that economic liberalization has exacerbated the gap between rich and poor countries, and between the rich and poor within countries that have liberalized. The perception that the gap has been growing, both among and within nations, is broadly true. The connection with globalization is much less clear.

While some previously poor countries have managed to close the gap with the more advanced economies, a disturbingly large number of countries have fallen further behind. Globalization poses four major challenges that will have to be addressed by governments, civil society, and other policy actors. One is to ensure that the benefits of globalization extend to all countries. That will certainly not happen automatically. The second is to deal with the fear that globalization leads to instability, which is particularly marked in the developing world. The third challenge is to address the very real fear in the industrial world that increased global competition will lead inexorably to a race to the bottom in wages, labor rights, employment practices, and the environment. And finally, globalization and all of the complicated problems related to it must not be used as excuses to avoid searching for new ways to cooperate in the overall interest of countries and people.

Implications for civil society, for governments and for multinational institutions stem from the challenges of globalization

Civil society organizations concerned with development have traditionally focused on aid and resource transfers; they now are going to have to broaden their agenda to deal with the much more complex issues of trade and investment, international financial flows, environment, and migration, among others. Civil society organizations in the old industrial countries also will have to deal with the backlash against global ization, which is producing a growing unwillingness to support multilateral cooperation.

Governments are going to have to decide what they mean by “civil society” and to identify new ways of dealing with its organizations. At the Overseas Development Council, we define civil society broadly to encompass not only development and advocacy groups, but also corporations, financial institutions, think tanks, foundations, and a range of other groups that are not part of government. But governments and other actors need to decide whether civil society is simply an effective—and even cheap—way of delivering social programs, or whether it is good in and of itself, an essential component of a democratic society. In other words, they are going to have to be much more precise about the purposes of working with civil society groups and about how they fund them. Then, there is a whole set of critical questions for the multilateral institutions, particularly concerning participation and transparency. These issues are extremely difficult because these remain governmental institutions, and governments often do not welcome the participation of civil society in decisions. Finally, there is a need for high-level political discussions among leaders from the old industrial countries, the emerging economies, and the countries that risk marginalization by globalization. We are urging the Group of Eight this year in London to call for a new summit on globalization in order to begin a discussion of maximizing its benefits and minimizing its costs.

The blessings of globalization

Globalization has been under a heated debate concerning third world, poorer, less developed countries. Some argue that with globalization comes exploitation where richer countries take advantage of the poorer countries, creating a large gap between them. But comparing rich and poor countries or developed and developing countries is like comparing apples to oranges. Different parts of the world have different values and to someone who is unaware of these parts work may mistake globalization's opportunities for corruption. International trade allows for developing countries to continue developing by increasing national incomes to fund modernization. Globalization can benefit all countries, rich or poor, if that country is willing to be open to international trade. Not only do they have to be open to the world market, but they would have to do it in such a strategic way based on how their country is run in order to gain from trade. Practicing globalization the exact same way, by a set of regulations may lead to a country's economic downfall. By choosing the best way to engage in international trade, a country can successfully grow economically as well as socially.

By using a country's comparative advantage, or what they can produce at a lower opportunity cost than other countries, they can get all the benefits of trade. If every country has a comparative advantage that means that everyone can gain from trade. There is remarkable evidence that globalization is helping countries expand and achieve higher incomes or a higher GDP. Research was conducted on national incomes around the world and results showed that the income of rich globalized countries increased by 2% each year. The results also show that poor, more globalized countries have a higher increase in income per year than poor, less globalized countries. Actually according to this research the poor, more globalized countries have had an increase in income of 5% each year while the poor, less globalized countries had a decrease of 1% per year. On the other hand it is suggested that there is a big gap between the rich and the poor. In 1960 the average income of the richest 20 countries was 15 times higher than the poorest 20 countries. Today the income of the richest 20 countries is 30 times higher.

Globalization significantly led to higher incomes is in China over the past several decades. They have mastered the concept of globalization in their own way far from the Western norms. In an article by Dani Rodrik China has averaged almost 8 percent per annum per capita by opening up to the world economy. By taking part in globalization China has been able to fund modernization by selling its products on the world market.

Many people are anti-globalization for several reasons. They say it is wrong to pay workers overseas a very small fraction of what an item sells for in wealthier countries. According to an example in an article by Jagdish Bhagwhati, a designer jacket may sell for $190 in New York while the worker overseas gets paid 60 cents an hour. This amount is considered to be cheap labor according to those against globalization. Of course 60 cents an hour would seem like an unfair wage to a wealthier country. Also this price of $190 is only for one jacket; not all jackets sell and the cost to get these products to their destination have to be covered as well. The fact is these "low" wages are about the same as what the average worker makes in these poor countries. In fact according to the same article by Bhagwhati, workers that work for foreign-owned enterprises in Vietnam are making more than workers not employed by these international enterprises. A study was conducted in the late 90s by economist Paul Glewwe that found workers in foreign companies were making twice the salary as the average worker at a Vietnamese company. It is impossible to compare wages of wealthier countries to poorer countries much less compare they way a poorer country runs their nation to a richer one.

Another issue concerning globalization is child labor and workers that work long strenuous hours in so called "sweatshops". In these developing countries, sending their children to work is the only way a family can survive. Usually there is not an abundance of schools and medical care like in the wealthier countries, and even if education and proper health care is available it is only available to the wealthier families who can afford it. Through globalization, households will make higher incomes which may eventually enable a family to send their children to school and provide some type of health care. In another article by Jagdih Bhagwati he states, "child labor will certainly diminish over time as growth occurs, partly due to globalization." A proposed bill called the Harkin Child Deterrence Bill that was trying to eliminate child labor only led to child workers getting laid off and trying to find jobs elsewhere. Much worse some of the female children were forced into prostitution. These workers, adults and children, in poor countries are not being forced into hard labor, but it is more like it is a necessity in order to survive. Nicholas Kristof and Sheryl WuDunn, writers for New York Times Magazine say that these workers volunteer to work longer hours in order to earn more money. These workers are willing to work as much as possible in order to stay alive.

People who are anti-globalization are merely blind to the actual facts. Poorer countries do what they can to survive, and globalization helps them obtain higher incomes and improve living conditions. Just because wages are significantly smaller in poorer countries does not mean exploitation is present. Countries with lower incomes, poor literacy rates, and poor health care cannot become wealthy and efficient over night. Globalization is a slow process, but it is working. It is allowing for more techniques and methods to be shared around the world. A country closed to the rest of the world will not learn to better themselves, and continue to do things they way they have been doing. As a result there will not be as much room for improvements and new opportunities to countries that do participate in globalization.

Impact of globalization on banking sector in India

Banking business in Indian is getting redefined it is faced with myriad challenges and Opportunities, especially beyond 2009 when they would be fully exposed to competition. Banks in India are bracing themselves to be ready through adoption of newer technology Strengthening their capital base to survive in the competitive environment, Reducing their NPAs, Bringing down operating costs, enhancing corporate governance and alignments, Undertaking organizational restructuring and sharpening their customer-centric initiatives. Consolidation of merger and acquisition rout to effective compete with large global banks May not be far off, when viewed against such preparedness and positive signs from regulator. Technology is clear a prerequisite fro growth and scale.

Some of the challenges Banks are facing today are as under:

- Changing needs of customers.
- Coping with regulatory reforms.
- Thinning spread.
- Maintaining high quality assets.
- Management of impaired assets.
- Keeping pace with technology up gradations.
- Sustaining healthy bottom lines and increasing shareholder value.

Technology cocktail in banking sector

The emergence of technology-intensive new delivery channels has liberalized the customers from the constraints of the time and space. Thanks to the high level of service quality and standard, the ATM channel has transformed the way customer's carry out their banking transactions. The glitch is that the service is not yet free from occasional disruptions like communication link failure, on-replenishment of cash on time, etc., despite the implementation of CBS solution, the flip side is that the quality of service at different braches varies widely. Without or teller system, customers have to spend considerable time at the branch counters to complete their transactions. Initiatives like six sigma quality level implementation can go a long way to control this variance to ensure uniform customer experience.

Now a day's banking is not in its traditional way, with the advancement of technology it's focusing on more comfort of customer providing services such as:

- Automated Teller Machines cards (ATM)
- Credit card
- Debit card
- Internet banking
- Tele banking

- Corporate cash Management
- Society for the World wide Interbank Financial Telecommunications Banking (SWIFT)

Latest trends of IT in Banking sector

The financial crisis and subsequent fallout forced belt-tightening across the industry, due to the bank IT budgets that remained flat generally for the past several years. In 2011, however, bank IT executives finally enjoyed some breathing room thanks to some revitalized spending power, and in the year 2012, bank technology budgets should continue to increase slightly, even though the economic recovery is still on shaky legs, scrutiny more banks' IT investments are likely to be focused largely on driving efficiencies and complying with new requirements. Bank systems and technology identifies the IT trends and hot technologies that will change the game in the year ahead.

1. Convergence of Mobile and Online Technologies

Mobile banking started as a novelty, something only techies and first adopters felt comfortable using. But as smart phones have skyrocketed in popularity over the past few years, mobile banking adoption has increased along with it. "Mobile banking, when it first entered in to the banking was very much an consequence of the online channel and

While banks are embracing the mobile channel as well as continuing to support the old standby of online banking and they are not integrating the technologies used to build solutions, But that will begin to change in 2012, banks continue to develop solutions for these multiple channels but using a single set of technology. A cohesive set of technologies will make mobile app and online development easier for banks to manage.

2. The Tablet Banking

Tablet banking is still a young channel, but it is rife with potential. As with initial mobile forays, it may take banks some period of trial and error to determine how to build the best banking experience for the tablet environment. But most experts agree that the potential for a great tablet banking user experience, especially with the rich interface tablets offer, is nearly unlimited. The "tabletization" of online banking and the advent of cutting-edge mobile technologies, such as mobile remote deposit capture and make the user trend to become more main stream.

3. The Rise of Business Process Management

The increase in efficiency and regulatory compliance, banks need better methods of gathering and reporting data. Most banks struggle with multiple back-office systems and silos information. To address these issues in earnest, there will be a large investment in new and improved business process management tools in the coming years.

Data integration will help banks obtain a more accurate view of their customers. Marketers often talk about breaking through data silos to look at data holistically and gain a more complete view of consumers' habits, and now banks will look to do the same. These huge trends, leads to strategic cost reduction, map very clearly to bigger Business Process Management investment.

4. Security increasingly is A Moving Target

Mobile devices are becoming nearly ubiquitous. Many industry experts and talking heads already have proclaimed the "death of the PC" as consumers increasingly spend their time on their smart phones and tablets, including for their banking needs. But as more people conduct their banking on mobile devices, these devices also will become the growing focus of hackers and fraudsters, who are always on the hunt for ripe targets. Meanwhile, some experts say mobile devices are more prone to security breaches since they are a relatively nascent technology; plus, many people don't think of them as the little computers they are, and don't exercise the security precautions they would with, say, their laptop computers.

5. Reaching the Next Level of Mobile Evolution

Mobile banking and payments saw major growth in the year 2011. Technology companies and financial institutions launching mobile wallets to consumers utilizing a mobile application. In 2012 will be the year in which mobile finance gains strategic direction and banks will introduce next-generation mobile initiatives to drive balance sheet.

Still in its early stages, banks also report seeing mobile phones as a powerful marketing channel letting them make offers directly to individual customers at a particular time and place.

Conclusion

Overall the Indian banking sector is stronger and healthier today than it was a decade ago. The recent focus of some of the banks on micro finance and lending to SME firms are welcome changes both for the banking sector as well as the economy and society as a whole. Finding opportunities at the bottom of the pyramid rather than regulator loan-pushing is likely to help better distribution of the economic gains as well as opportunities. Banks will continue to find newer and innovative ways to put technology to their customers ‘best use and will have to manage technology and business risks associated with these investments proactively.

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